



Minnesota Gambling Control Board

# GAMING NEWS

January/February/March 2013

## Director's Column Tom Barrett, Executive Director

### Gambling Control Board

**William Goede, Chair  
(Plainview)**

Committee: Executive

**Norm Pint, Vice-Chair  
(New Prague)**

Committees: Executive;  
CRG (chair)

**William Gillespie,  
Secretary (St. Paul)**

Committees: Executive;  
Legislative (chair); CRG

**Robert Hyde (Plymouth)**

Committees: Rules (chair)

**Geno Fragnito (Woodbury)**

Committees: Rules;  
Legislative

**Susan McCarville (Hopkins)**

Committees: Rules; CRG

**James Nardone  
(Grand Rapids)**

Committees: Legislative

**Monthly board meetings  
are open to the public  
and are held:**

Gambling Control Board  
Suite 300 South  
1711 West County Road B  
Roseville, Minnesota

Meetings start at 10:00 a.m.

Monday, March 18, 2013  
Monday, April 15, 2013  
Monday, May 20, 2013  
Monday, June 17, 2013

Agendas are posted at:  
[www.gcb.state.mn.us](http://www.gcb.state.mn.us)

### Electronic Gaming Update

You've all seen the headlines...."Electronic Pull-Tabs Off to a Slow Start" or "Electronic Pull-Tab Sales Lagging." But electronic gaming shows definite signs of success. While total sales from electronic pull-tab activity continue to fall short of total estimated projections, and frankly that is what is driving the news, there are some very bright spots. See page 3 for the Top Ten sites where electronic pull-tab sales exceed revenue estimates. These sites have figured out a successful formula.

### Linked Bingo Update

Board staff continues to work with vendors on the anticipated linked bingo game format, but Board approval is pending due to the vendors not providing final testing and approval certification from the testing labs for the linked bingo games. Stay tuned.

### Legislative Update

Officially the Board did not propose any legislative changes, but we are tracking some bills from the industry and will provide a summary of any changes after the 2013 legislative session.

### Rules Status

Board staff is working on public comments received and clarifying rules language. The primary focus of the rules draft is electronic gaming, but we're open to other changes, too. We are in the process of putting together an updated rules draft and when one is ready, we will hold a meeting so that PAC members can review this next draft. The most current draft available is dated 11-9-12 and is posted on our website ([www.gcb.state.mn.us](http://www.gcb.state.mn.us)). As soon as the next draft is ready it will be posted on the website.

### Continuing Education Classes to Focus on Electronic Gaming

The topic for the March and April continuing education classes is "Conduct of Electronic Pull-Tabs and Linked Bingo." Classes are offered in quite a few locations around the state. Please see page 2 for specific locations, dates, and times to learn more about this new form of lawful gambling.

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## Continuing Education Classes

- Preregistration is not required to attend continuing education classes.
- Classes are **free** and open to the public.
- Gambling managers must attend at least one class **each calendar year**.
- Check our website at [www.gcb.state.mn.us](http://www.gcb.state.mn.us) for any changes.

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### Topic for March and April Classes: **Conduct of Electronic Pull-Tabs and Linked Bingo**

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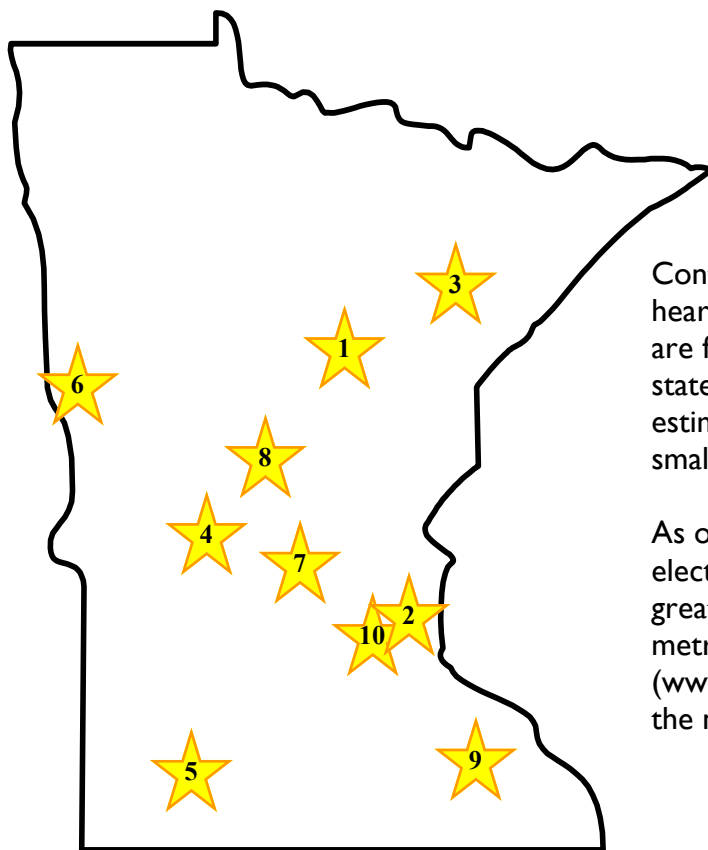
March 19, 2013, 7 p.m.	AmericInn Lodge and Suites, Fergus Falls Room 526 Western Avenue, <b>Fergus Falls</b>
March 20, 2013, 7 p.m.	Hibbing Memorial Building, Dining Room 400 East 23rd Street, <b>Hibbing</b>
March 21, 2013, 2 p.m.	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Rd. B, <b>Roseville</b>
March 28, 2013, 7 p.m.	South Central College, Conference Center C 1920 Lee Boulevard, <b>North Mankato</b>
March 28, 2013, 7 p.m.	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Rd. B, <b>Roseville</b>
March 28, 2013, 2 p.m.	Best Western Kelly Inn, Congress/Senate Room 100 4th Avenue South, <b>St. Cloud</b>
April 17, 2013, 2 p.m.	Forestry Service Center, Auditorium 175 University Road, <b>Cloquet</b>
April 17, 2013, 7 p.m.	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Rd. B, <b>Roseville</b>
April 17, 2013, 2 p.m.	Best Western Inn, Room A 1060 Hwy. 32 S., <b>Thief River Falls</b>
April 17, 2013, 2 p.m.	Plaza Hotel & Suites, Rosewood II Room 1025 Hwy. 61, <b>Winona</b>
April 23, 2013, 2 p.m.	Lyon County Government Center Commissioner Rooms 1 and 2 607 Main Street, <b>Marshall</b>
April 23, 2013, 7 p.m.	Best Western Kelly Inn, Congress/Senate Room 100 4th Avenue South, <b>St. Cloud</b>
April 25, 2013, 10 a.m.	Gambling Control Board, Suite 300 South (use south doors) 1711 W. County Rd. B, <b>Roseville</b>

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**Be sure to check our website at [www.gcb.state.mn.us](http://www.gcb.state.mn.us) for class updates**

## News and Updates

### Greater MN Dominates List of Top Electronic Pull-Tab Sites



Contrary to all of the stories you may be hearing on the TV and radio, electronic pull-tabs are flourishing in many locations throughout the state. Many sites are exceeding projected sales estimates and most of the top sites are relatively small bar operations.

As of February 15, 2013, there are 157 active electronic pull-tab sites in Minnesota, 100 in greater Minnesota and 57 in the seven-county metro area. Check our website ([www.gcb.state.mn.us](http://www.gcb.state.mn.us)) for weekly updates on the number of active electronic pull-tab sites.

### Top Ten electronic gaming sites for the month of **January 2013:**

<u>Site Name</u>	<u>City</u>	<u>Charity</u>	<u>Gross receipts</u>
1. Harry's Bar	Hill City	Hill City Lions Club	\$88,022
2. Porky's Bar	St. Paul	MLBA Children's Fund	\$82,684
3. Roosevelt Bar	Eveleth	Climb Theatre Inc.	\$60,738
4. Shipwrex	Burtrum	Grey Eagle Burtrum Lions Club	\$56,839
5. The Phat Pheasant	Windom	Prairie Ecology Bus	\$55,111
6. Mills Lounge	Dilworth	Dilworth Lions Club	\$53,468
7. Howie's Sports Bar & Grill	St. Cloud	St. Cloud Youth Hockey Assoc.	\$51,348
8. KC's Saloon	Pillager	Pillager Lions Club	\$47,535
9. Recreation Lanes	Rochester	Community Charities of MN	\$40,253
10. Skinner's Pub	St. Paul	MLBA Children's Fund	\$38,131

## CRG Report

The Compliance Review Group (CRG), a committee of the Gambling Control Board, meets with licensees to conduct informal inquiries into alleged violations of lawful gambling statutes and rules. This information is a condensed report of recently completed CRG conferences. Penalties imposed are based on specific and unique information reviewed for each licensee.

Licensee	Consent Order Allegations	Consent Order Requirements
Dwain Hassig Gambling Manager Elba Snowbirds License G04861	<ul style="list-style-type: none"> <li>Failed to verify all receipts and disbursements by the organization.</li> <li>Failed to supervise the filing of reports by the organization and failed to monitor the accuracy of the reports.</li> <li>Failed to sufficiently supervise the conduct of lawful gambling.</li> </ul>	<ul style="list-style-type: none"> <li>Gambling manager's license revoked.</li> </ul>
John Callahan Distributor Salesperson, M Peters Ent., License DI006	<ul style="list-style-type: none"> <li>Made a false statement to the Board.</li> <li>Engaged in illegal gambling at place of employment, licensed by the Gambling Control Board.</li> </ul>	<ul style="list-style-type: none"> <li>\$250 fine.</li> <li>No same/similar violations.</li> </ul>
Jeff Harter Distributor Salesperson, M Peters Ent., License DI006	<ul style="list-style-type: none"> <li>Made a false statement to the Board.</li> <li>Engaged in illegal gambling at place of employment, licensed by the Gambling Control Board.</li> </ul>	<ul style="list-style-type: none"> <li>\$250 fine.</li> <li>No same/similar violations.</li> </ul>
Randy Palm Distributor Salesperson, M Peters Ent., License DI006	<ul style="list-style-type: none"> <li>Made a false statement to the Board.</li> <li>Operated an illegal gambling device.</li> <li>Engaged in illegal gambling at place of employment, licensed by the Gambling Control Board.</li> </ul>	<ul style="list-style-type: none"> <li>\$500 fine.</li> <li>No same/similar violations.</li> </ul>
St. Paul North Ramsey 500 Lions Club License 01878	<ul style="list-style-type: none"> <li>Failed to maintain internal controls sufficient to protect the integrity of its lawful gambling.</li> <li>Conducted lawful gambling without the sufficient supervision of a licensed gambling manager.</li> </ul>	<ul style="list-style-type: none"> <li>Reimburse its gambling account in the amount of \$4,457.</li> <li>File Corrective Action Plan.</li> <li>No same/similar violations.</li> </ul>
Voyageur Trail Society License 04453	<ul style="list-style-type: none"> <li>Failed to complete and file an annual audit or a financial review for fiscal year ending June 2011.</li> </ul>	<ul style="list-style-type: none"> <li>\$500 fine.</li> <li>File Corrective Action Plan.</li> <li>File FY 2011 annual audit with the Department of Revenue.</li> </ul>
American Legion Post 435, Richfield License 00227	<ul style="list-style-type: none"> <li>Filed inaccurate information with the Department of Revenue and the Gambling Control Board.</li> <li>Failed to maintain sufficient records to adequately reflect expenses.</li> <li>Failed to complete a monthly bank reconciliation which listed outstanding checks, deposits in transit, and beginning and ending book balances for the month which correspond to the profit carryover.</li> </ul>	<ul style="list-style-type: none"> <li>Focused Compliance Review.</li> </ul>

## CRG Report, continued

Licensee	Consent Order Allegations	Consent Order Requirements
Pine City Youth Hockey License 01934	<ul style="list-style-type: none"> <li>Failed to file a current bingo program with the Gambling Control Board.</li> <li>Failed to maintain a perpetual inventory for bingo.</li> <li>Altered gambling equipment.</li> <li>Failed to file timely tax returns with the Department of Revenue.</li> <li>Failed to deposit gambling receipts into the gambling bank account.</li> <li>Failed to maintain internal controls sufficient to protect the integrity of its lawful gambling.</li> <li>Failed to properly use or complete required forms.</li> <li>Filed inaccurate information with the Department of Revenue.</li> <li>Conducted lawful gambling without the sufficient supervision of a licensed gambling manager.</li> </ul>	<ul style="list-style-type: none"> <li>\$5,000 fine.</li> <li>File Corrective Action Plan.</li> <li>Establish a Gambling Oversight Committee; one member must attend the Gambling Manager Seminar and pass the test.</li> <li>Reimburse its gambling account \$38,162.75.</li> <li>Focused Compliance Review.</li> </ul>
Nelson Men's Club License 02896	<ul style="list-style-type: none"> <li>Filed false and inaccurate information with the Department of Revenue and the Gambling Control Board.</li> <li>Failed to maintain lawful gambling records for a minimum of 3-1/2 years.</li> <li>Failed to deposit all gambling receipts into its gambling bank account.</li> <li>Failed to accurately report its gross receipts, prizes paid, net receipts, and cash long/short for raffles conducted.</li> <li>Failed to pay lawful gambling taxes.</li> <li>Conducted non-compliant raffles.</li> <li>Incorrectly reported audited games.</li> <li>Failed to maintain internal controls sufficient to protect the integrity of its lawful gambling.</li> <li>Conducted lawful gambling without the sufficient</li> </ul>	<ul style="list-style-type: none"> <li>License revoked.</li> <li>File termination plan.</li> <li>Reimburse its gambling account \$39,323.33.</li> </ul>

### Cover-all game vs. Progressive game

Non-progressive cover-all game [blackout]	Progressive game
<p>A game where all spaces on the bingo face must be covered.</p> <ul style="list-style-type: none"> <li>May include a game in which all odd or even numbers are designated by the organization as covered prior to the start of the game (requires the use of sealed bingo paper).</li> <li>Prize level does not increase each occasion.</li> <li>Game may include a limiting ball count.</li> <li>Limiting ball count may increase each occasion.</li> <li>Total prizes awarded for non-progressive cover-all games do not exceed \$1,000 per occasion.</li> </ul>	<p>A game where the prize levels increase from one occasion to the next, up to a predetermined amount. If no player completes the pattern within the specific number of bingo numbers selected, a consolation prize is awarded. The ball count does not have to be progressive. Any pattern, including a cover-all, may be used for this game.</p> <ul style="list-style-type: none"> <li>Prizes do not start at more than \$500.</li> <li>Prizes do not increase by more than \$100 per occasion.</li> <li>Consolation prizes do not exceed \$200.</li> <li>Maximum prize does not exceed \$2,000.</li> </ul>

## More News and Updates

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### Star Rating

June 30 will soon be here. Do you know whether your organization will be in compliance with the lawful purpose rating for lawful purpose expenditures? Be sure that your organization is closely monitoring its lawful purpose expenditures to meet the requirements. Form LG1012 is designed for this purpose and available on our website.

If your organization was placed on probation last year, it is important that your organization be in compliance by June 30, 2013. Otherwise, your organization may be sanctioned by the Board.

Organizations are evaluated according to the following criteria.

#### % Spent on Lawful Purpose Rating

More than 50% ....	5 star	★★★★★	
More than 40% ....	4 star	★★★★	
More than 30% ....	3 star	★★★	
More than 20% ....	2 star	★★	One year automatic probation (first offense)
Less than 20% .....	1 star	★	One year automatic probation (first offense)

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### Don't Get Caught in the March Madness!

With March Madness season quickly approaching, be sure your organization and charitable gambling site avoid illegal sports betting. Federal law still prohibits wagering based on the outcome of a sporting event. Illegal gambling can jeopardize your ability to operate at a premises.

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### Awarding Alcoholic Beverages as Charitable Gambling Prizes

The Gambling Control Board recently received an inquiry asking whether alcoholic beverages (wine, beer, or intoxicating liquors) may be awarded as prizes using tipboards or paddlewheels (meat raffles).

Not Allowed. This practice is not allowed unless the licensed lawful gambling organization possesses its own off-sale liquor license.

However, Certificates May Be Awarded. Instead, an organization may award certificates as tipboard or paddlewheel prizes that winners may redeem for alcoholic beverages. These certificates must be purchased from an establishment with an off-sale liquor license and must be redeemed at the establishment from which it was purchased. They may be purchased from your site lessor if the cost is 50% or less than the redeemable cash value and if there are no restrictions on redemption.

Raffle Exception. An exception is Minnesota Statutes, Section 340A.707, which allows alcoholic beverages to be awarded as prizes by nonprofit organizations for silent auctions and **raffles only**.

340A.707 AUCTION OR RAFFLE FOR CHARITABLE PURPOSES.

Notwithstanding sections 340A.401, 340A.414, and 340A.505, **a nonprofit organization conducting a** silent auction, **raffle**, or other fund-raising event **may conduct live, on premises** auctions or **raffles of wine, beer, or intoxicating liquors**, provided that funds from the auction or raffle are dedicated to the charitable purposes of the nonprofit organization, **such** auctions or **raffles are limited to not more than six occasions per year, and the alcohol may only be** auctioned or **raffled to persons who demonstrate that they are 21 years of age or older and do not show signs of obvious intoxication**. Nothing in this section authorizes on-premises consumption of alcohol. [Emphasis added.]

Meat Raffles. The possible confusion may be that many organizations use tipboards and paddlewheels with tickets that award meat packages as prizes and commonly refer to these events as "meat raffles". These are not conventional raffles and the term "meat raffle" is a misnomer for this type of gambling.

Bottom Line. Licensed lawful gambling organizations that do not possess their own off-sale liquor license at the site cannot award actual alcoholic beverages as prizes when using tipboards or paddlewheels for their gambling events.

## Citations Paid

Citation amounts for similar violations may vary depending on unique circumstances and information and are issued on a case-by-case basis.

Licensee	Violation	Amount
Universal Manufacturing Kansas City, MO, License MA009	Submitted pull-tab deals for review that did not comply with Minnesota Rules.	\$1,000
Lac Qui Parle Lake Association Montevideo, License 02914	Failed to meet minimum lawful purpose expenditures percentage for two consecutive fiscal years.	\$850
Glen Avon Hockey Club, Duluth License 02883	Failed to meet minimum lawful purpose expenditures percentage for two consecutive fiscal years.	\$850
Lake Sullivan Association, Hillman License 03118	Failed to meet minimum lawful purpose expenditures percentage for two consecutive fiscal years.	\$700
American Legion Post 608, Okabena License 00822	Gambling conducted on credit.	\$550
Johnson Area Hockey Association St. Paul, License 00756	Failed to meet minimum lawful purpose expenditures percentage for two consecutive fiscal years.	\$550
McGregor Fire Department Relief Association, License 02840	Premises inspection violations.	\$500
Optimist Club of St. Cloud License 02539	Prize receipts not completed correctly and winning tickets not defaced.	\$450
Eagles Aerie 3420, St. James License 00323	Rent payments in excess of statutory limits.	\$400
Kerrick Firefighters Relief Association, License 92404	Failed to comply with Board requests for documentation.	\$350
Mayer Baseball Club, License 01772	Deposits repeatedly not made in four business days.	\$300
Coon Rapids National Little League Anoka, License 04404	Failed to open remaining tipboard prize seals when all tickets were sold.	\$200
Brooklyn Park Youth Hockey Association, License 02922	Repeatedly filed late G1 reports with the Department of Revenue.	\$200
Rosemount Area Hockey Association License 19062	Employee allowed to purchase pull-tabs at place of employment.	\$200
Bemidji Baseball Association Inc. License 03134	Failed to file certified inventory with Department of Revenue.	\$100
American Legion Post 328, St. Joseph, License 01373	Pull-tab game name and serial number for deal put into play did not match flare.	\$100
Elks Lodge 1685, Alexandria License 01110	Non-gambling funds used for expense directly related to gambling.	\$50
Elks Lodge 133, Duluth License 01001	Paid citation with lawful gambling funds.	\$50
Wells Creek Riders Snowmobile Club Lake City, License 05333	Check not signed by two active members.	\$50

Citations were issued to the following organizations for gambling manager failure to attend at least one continuing education class during calendar year 2012:

- VFW Post 1782, White Bear Lake, License 00394, \$100 fine.
- American Legion Post 390, Stephen, License 02765, \$100 fine.
- Elks Lodge 2287, Worthington, License 00192, \$100 fine.
- Knights of Columbus Council 9140, Big Lake, License 04555, \$100 fine.
- Moose Lake Area Hockey Association Inc., License 02071, \$100 fine.

# GAMING NEWS, January/February/March 2013

Gambling Control Board  
Suite 300 South  
1711 West County Road B  
Roseville, MN 55113

PRSRT STD  
U.S. POSTAGE PAID  
PERMIT 171  
ST PAUL MN

State offices will be closed on May 27, 2013, July 4, 2013, September 2, 2013, November 11, 28, 29, 2013, and December 25, 2013.

## Trends in Lawful Gambling Gross Receipts

NOTE: Figures for the current calendar year are subject to change due to amended, corrected, or late tax returns.

	Calendar year 2012	% Change from 2011	Calendar year 2011	% Change from 2010	Calendar year 2010
<b>January</b>	\$85,725,000	7.5%	\$79,741,000	1.0%	\$78,919,000
<b>February</b>	91,452,000	13.8%	80,385,000	1.6%	79,120,000
<b>March</b>	100,646,000	7.2%	93,844,000	3.4%	90,774,000
<b>April</b>	93,531,000	3.4%	90,491,000	6.6%	84,887,000
<b>May</b>	90,490,000	6.2%	85,188,000	3.6%	82,260,000
<b>June</b>	87,017,000	9.0%	79,815,000	2.2%	78,121,000
<b>July</b>	87,284,000	4.3%	83,646,000	3.3%	81,008,000
<b>August</b>	89,905,000	6.4%	84,507,000	6.4%	79,398,000
<b>September</b>	89,476,000	5.9%	84,458,000	4.9%	80,490,000
<b>October</b>	91,566,000	4.2%	87,850,000	5.0%	83,686,000
<b>November</b>	92,737,000	10.1%	84,228,000	8.3%	77,810,000
<b>December</b>	91,346,500*	2.9%	88,730,000	15.0%	77,158,000
	<b>\$1,091,175,500</b>	<b>6.7%</b>	<b>\$1,022,883,000</b>	<b>5.1%</b>	<b>\$973,631,000</b>

\* 94% of organizations reporting

## Agency Index

**Gambling Control Board** ..... [www.gcb.state.mn.us](http://www.gcb.state.mn.us)  
Roseville ..... 651-639-4000  
St. Peter ..... 507-931-5112  
Hibbing ..... 218-262-7301  
Fergus Falls ..... 218-739-7402

**Department of Revenue**..... [www.taxes.state.mn.us](http://www.taxes.state.mn.us)  
Lawful Gambling Tax Unit..... 651-297-1772  
Email: [lawfulgambling.taxes@state.mn.us](mailto:lawfulgambling.taxes@state.mn.us)

**Department of Public Safety** ..... [www.dps.state.mn.us](http://www.dps.state.mn.us)  
Alcohol & Gambling Enforcement ..... 651-201-7500

**Internal Revenue Service**  
Forms..... 1-800-829-1040  
Questions ..... 651-312-7716

**Minnesota's Bookstore**... [www.minnesotasbookstore.com](http://www.minnesotasbookstore.com)  
..... 651-297-3000; 1-800-657-3757

**Minnesota Problem Gambling Helpline....[www.nojudgment.com](http://www.nojudgment.com)....1-800-333-HOPE**